

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2019/2020

### BAC4674 – INTEGRATED CASE STUDIES

(All Sections/Groups)

13 JUNE 2020  
9.00 a.m. – 12.00 p.m.  
(3 Hours)

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#### INSTRUCTIONS TO STUDENT

1. This question paper consists of **FOUR** pages (excluding cover page) with **FIVE** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers and workings in the Answer Booklet provided.

## ALI, SHAN & CO

Adam Rhymes is an audit senior at Ali, Shan & Co, a five-partner firm. The firm provides audit and advisory services and has gained a reputation in recent years for advising on the implementation and review of accounting and enterprise resource planning (ERP) systems for many non-audit clients. ERP consultation has been highly requested due to the increased of online business transactions. Recently, Adam Rhymes attended an e-commerce conference as a representative of Ali, Shan & Co. The conference theme was focussed on e-commerce, the supporting technologies and the threats of computer crime and money laundering.

During one of the coffee breaks, Adam was approached by Daniel Roots, the finance director of Gerhana Bhd (Gerhana), one of Ali, Shan & Co's largest audit clients. Gerhana has been Ali, Shan & Co's prized client since the past five years. With his usual exuberance, Daniel greeted Adam and said, "Did you know that Suzanne Johnson is also here? She was telling me about her interest to upgrade her company's information system."

"Suzanne Johnson?" Adam blurted, with a blank face.

Daniel winked at Adam and whispered, "I can introduce her to you. She could be your new client, you know... In the current economic condition, firms like yours need all the contact you can have. And perhaps with this introduction, your firm need not increase my audit fees for the coming year."

"Hello Daniel, good to see you here," an impeccably dressed woman suddenly approached them.

"Hi Suzanne," responded Daniel, with a broad smile. He turned to Adam and said, "Adam, let me introduce you to Suzanne Johnson, managing director, Serunai Bhd. Serunai is one of our major suppliers."

Turning back to Suzanne, Daniel said, "Suzanne, this is Adam, from Ali, Shan & Co. His firm has been advising me on my ERP implementation and all is working so well. We even utilise cloud computing right now. Perhaps you can work with him regarding your information systems too. Our Chief Financial Officer, Rahmat Lex, was previously a partner in Ali, Shan & Co. His performance was so good that we have come to believe that Ali, Shan & Co has the best talents."

"That would be great. Adam, we should meet soon and discuss if we could work something out. If you can come up with a cost-effective proposal, I may consider moving Serunai's external audit to Ali, Shan & Co," uttered Suzanne.

"I think I can work something out for your company. I will be in contact with you soon," replied Adam. The prospect of a new client considerably brightened his mood.

**Continued...**

“By the way, Daniel, how did your company upgrade your systems for the ERP implementation? I am always apprehensive about changing our systems. A lot of things can go wrong. What more, forty-five percent of our sales are from the online e-commerce portal,” queried Suzanne.

“It could be as simple as finding the most popular system, get good consultants like Ali, Shan & Co to implement the system and,” replied Daniel. He paused to pat Adam on the back. He continued, “And before you know it, your new system is up and ready!”

Adam buried his face in this coffee. He completely disagreed with Daniel’s view. The same view has caused so much issue during the ERP implementation in Gerhana.

“I am looking forward to the next presentation on computer and cybercrime. The criminals are always one step ahead,” Suzanne retorted.

Daniel sigh, “We have been a victim last year. One of our former employees had gained access to our systems and wiped out some of our sales and production data. He even deleted the suppliers and customers data. He was vengeful that he was terminated. We just have to let him go because he was being difficult and not cooperating with the management since we changed the compensation plan. As soon as he received the termination date, he accessed the system and deleted the sales transactions.”

“How bad was it?” asked Suzanne.

“We have managed to adequately recover the data but I am not that concerned. The upcoming audit would identify errors, if any, and helped us to prevent similar incident in the future. Unfortunately, we could not get back the product design documents that he took with him when he left,” replied Daniel. “Adam, I hope to integrate my system with Serunai. If you could work with Suzanne, the integration would definitely materialise. In Gerhana’s recent board meeting we have unanimously agreed to reappoint Ali. Shan & Co as the external auditor.”

**Continued...**

**QUESTION 1**

- (a) Discuss four threats to auditor's independence or objectivity relevant to Ali. Shan & Co's audit of Gerhana Bhd.

**(12 marks)**

- (b) Recommend four actions that Ali. Shan & Co could take in order to safeguard the firm against the threats to objectivity due to the audit of Gerhana Berhad.

**(8 marks)**

**QUESTION TWO**

- (a) Discuss two threats to auditor's independence relevant to the potential advisory and audit work for Serunai Bhd.

**(6 marks)**

- (b) Elaborate three risks associated with the revenue generated through Serunai's e-commerce portal.

**(9 marks)**

**QUESTION 3**

- (a) What are the impacts of the computer crime described by Daniel Roots. Discuss two potential impacts.

**(8 marks)**

- (b) What audit procedures would be appropriate to address the deficiencies resulted from the computer crime? Explain the audit plan and two audit procedures.

**(10 marks)**

- (c) Describe three actions that Gerhana Bhd. can take in order to prevent the crime from happening in the future.

**(12 marks)**

**Continued...**

**QUESTION 4**

Comment on Daniel's view about system implementation. Include in your comment, how such view could have caused problems at Gerhana Bhd and two matters that need to be sorted out during system development and implementation.

**(15 marks)**

**QUESTION 5**

Identify **four** strategic or cyber security risks arising from Gerhana's use of information technology and information systems. For each risk, describe **two** preventive measures that can be implemented to deal with such risks. You may organize your answers as below:

| <b>Strategic/cyber security risk</b> | <b>Preventive measures</b> |
|--------------------------------------|----------------------------|
|                                      | (i)                        |
|                                      | (ii)                       |

**(20 marks)**

**(Total: 100 marks)**  
**End of Paper**